



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

TO: Participating Schools and Lenders

FROM: Toots Lapata-Victorson 

DATE: November 17, 2003

SUBJECT: Educational Loan Notes

NEW DEFAULT AVERSION TASK FORCE

The Michigan Guaranty Agency (MGA) has established a new Default Aversion Task Force as a proactive measure in dealing with the rise in its cohort default rate. Members of the task force include MGA staff and financial aid officers representative of the different school sectors in Michigan. A Task Force roster is attached for your information. On Tuesday, November 4, the Task Force met for the first time to share ideas and concerns. Task Force members felt it would be beneficial to have a “best practices” symposium where schools could share their ideas/successes. For example, Baker College sends out a forbearance form to delinquent students. This has been quite successful as borrowers may send the form back with a new address or may add a note that indicates that they may qualify for a deferment. This symposium could also include discussion on what schools are doing at entrance and exit counseling.

Task Force members also had an opportunity to listen to Tony Sprehe, President, and Eric K. Johnson, Operations Manager, of Student Assistance Corporation (SAC), the company that manages MGA’s default prevention activities.

SAC acknowledged that its focus in the past has not been on MGA’s Cohort Default Rate, but rather on MGA’s Trigger Rate. A trigger rate differs from a cohort rate in that it focuses on a shorter time frame (one year), and it is calculated based on a dollar amount rather than the number of defaulted borrowers. SAC and MGA have now established new Key Performance Indicators for default aversion, which include: Cohort Default Rate, Trigger Default Rate, and SAT (Cure) Rate.

Additionally, SAC has created an MGA Cohort Default Prevention Team focused on borrowers in the 2003 and 2004 cohort years. This group has a separate toll-free telephone number, lower accounts-per-person ratio, and uses enhanced default aversion and skip-trace initiatives.

SAC is strongly committed to assisting schools with all MGA delinquent borrowers, regardless of which lender or lender servicer is involved. SAC possesses contact information for all major lenders and lender servicers, and is ready, willing, and able to initiate a conference call between themselves, the school, the borrower, and the lender/lender servicer. Following is SAC contact information:



Tony Sprehe, President, Student Assistance Corporation introduces new initiatives for MGA default prevention.

(Continued on the next page.)

- SAC's MGA Cohort Team's dedicated toll-free number is 1-800-562-2525. The borrowers directed to this team should be those in the active 2003 cohort.
- SAC's MGA regular default aversion team's toll-free number is 1-800-635-3786. All delinquent borrowers may be directed to this number, regardless of cohort.



Default Aversion Task Force members, Stephanie Petsch from EMU and Rich Boruszewski from Cooley Law School

Student Borrower Services

In another discussion, MGA's Janet McKeown reported on the activities of Student Borrower Services (SBS), the company that acts as an advocate to high-risk borrowers. SBS contacts these borrowers during their grace periods in order to educate them on their rights and responsibilities as borrowers, the importance of debt management, and the consequences of default. In the past a high-risk borrower has been defined as any borrower that withdraws from any institution or a graduate from a proprietary school or two-year institution. MGA views this contract as a partnership with SBS and the schools in working with high-risk borrowers. Through this contract SBS contacts borrowers both by phone and mail during their grace period and monitors borrower accounts during the first six months of repayment. SBS will also conduct skip-tracing on returned mail or disconnected phone numbers. MGA has recently revised both the written correspondence and telephone scripts that SBS uses when contacting borrowers. It has been three years since MGA contracted with SBS and it is anticipated that the Fiscal Year 2002 cohort default rate will reflect SBS's efforts. MGA's cohort default rate is estimated to drop approximately one and one-half percent for the next cohort year.

Late Stage Delinquency Assistance Program

Another new initiative addressed by the Default Aversion Task Force was the Late Stage Delinquency Assistance Program. Late Stage Delinquency describes borrowers who are more than 240 days, but less than 361 days delinquent in making a payment on a subsidized or unsubsidized student loan. These borrowers will lose their eligibility for Title IV aid and will shortly be considered in default on their student loans. Although SAC resolves the majority of delinquencies, schools can help in this effort. Many of the borrowers in this situation are avoiding calls and do not understand their options. Schools can make the difference because these students will talk to them.

The process begins by accessing the electronic version of the Delinquent Borrowers by School Report (AVPBR08). This report can be pulled into Microsoft® Excel and sorted by cohort year with a secondary sort by the number of days delinquent. Detailed instructions on how this process works are available by sending an email to HILLPL@michigan.gov. The school would then contact those borrowers that fall into this category. This is the perfect opportunity to have the most influence on the 2003 cohort that ends on September 30, 2004. Some of the 2003 delinquent borrowers may be maturing into "Late Stage Delinquency" status, having been delinquent more than 240 days. This is about rescuing one student borrower at a time!

For questions on Late Stage Delinquency or other default prevention programs, feel free to contact Janet McKeown at 1-800-642-5626, extension 51723.



Diane Todd-Sprague (Office of Scholarships and Grants) and MGA's Janet McKeown

MGA PROCEDURAL CHANGE COULD PROVE BENEFICIAL TO COHORT DEFAULT RATE

In a follow-up to the first meeting of the Default Aversion Task Force, the Student Assistance Corporation made a recommendation that MGA extend the time period in which a lender can recall a loan. (A lender recall of a loan does not increase the default rate as happens when a lender repurchases a loan after the claim is paid). MGA acted on this recommendation by extending the timeframe by about a month, and this action has already produced results. In a two-day period following the implementation of this initiative, lenders recalled 40 default claims. Normal recall volume is about five loans per day. The effect of this procedural change will be examined to determine the possible impact on the cohort default rate.

SOCIAL SECURITY NUMBER DISCREPANCIES

MGA is available to help if you are experiencing any problems with Social Security Number discrepancies. Please contact Linda Sanchez, Customer Services Manager, at extension 39599, and explain your concern. Linda will need the following information in order to assist you:

- Borrower name
- Incorrect Social Security Number
- Correct Social Security Number

Please submit one of the following forms of documentation to support the change to the current Social Security Number:

- Photocopy of Social Security card (if faxing, please make sure it is readable).
- Photocopy of Federal 1040 or W-2.
- Photocopy of Selective Service Certification form.

LENDER LIST UPDATES

School personnel should record the following actions on the "Participating Lender List" dated May 1, 2003. Please make the appropriate changes in all sections of the list as needed. If you have any questions regarding these updates, please contact Pat Fromm at extension 36076.

Name Change

Edamerica Services, 700129, has changed its name to Edfinancial Services.

Joined Referral Program

Chief Pontiac Federal Credit Union, 833196, has joined Comerica Bank's referral loan program. Their address is c/o Nelnet, Inc., P.O. Box 82596, Lincoln, NE 68501-2596. Telephone: 800-755-7858.

SCHOOL LIST UPDATES

The following changes should be recorded by lenders on MGA's "Active Michigan School List" dated August 6, 2003. If you have any questions regarding these changes, please contact Stacy Cardwell at extension 36074.

Contact Change

Marquette General Hospital School of Radiology, Marquette, 021350-00

Delete Larry Kininiemi. Susan Bradford-Loduha, Financial Aid Officer, is the new contact. Susan's telephone number is 906-225-4916, and her fax number is 906-255-4943. Contact Susan by email at srloduha@mgh.org.

Oakland Community College, Auburn Hills, 002303-04

Delete Patrick Buck. Pamela Hayes, Financial Aid Officer, is the new contact. Pamela's telephone number is 248-232-4343, and her email address is pehayes@oaklandcc.edu.

Saginaw Valley State University, University Center, 002314-00

Delete Jim Dwyer. Robert Lemuel is the new contact. Robert is the Director, Office of Scholarships and Student Financial Aid. His telephone number is 989-964-4393, and his email address is lemuel@svsu.edu.

Title Changes

Washtenaw Community College, Ann Arbor, 002328-00

Lori Trapp's title is Assistant Director.

Q & A

What is Satisfactory Academic Progress (SAP)?

SAP is the level of academic progress required of a student by the Higher Education Act (HEA) in order to receive Title IV aid, including Federal Stafford or PLUS loans. [Common Manual glossary]

Who is responsible for determining a student's SAP?

It is required that the institution “establishes, publishes, and applies reasonable standards for measuring whether an otherwise eligible student is maintaining satisfactory progress in his or her educational program.” [§ 668.16(e)]

Can an institution establish a SAP policy for full-time undergraduate students and have a different SAP policy for part-time graduate students?

No, an institution must maintain the same SAP policy for all students who are receiving Title IV, HEA funds, including full and part-time, and graduate and undergraduate students. [§ 668.16(e)(3)]

Our institution has developed a standard for measuring SAP for students that are receiving Federal Student Aid (FSA) funds that is more stringent than those students who are not FSA recipients. Is this acceptable?

Yes, the SAP policy for students who are receiving FSA funds, at a minimum, must be the same as for those students who are not receiving FSA funds. However, it is permissible to be more strict in your policy as it relates to students receiving FSA funds. [§ 668.16 (e)(1)]

Other than having our SAP policy for students receiving FSA funds be at least as strict as the policy for students not receiving FSA funds, what also must be included in developing a SAP policy?

An institution's SAP policy for students receiving FSA funds must include both qualitative and quantitative standards. It also has to have specific procedures to allow a

student to appeal the decision that the student is not maintaining SAP and procedures that explain how a student can reestablish SAP. [§ 668.16(e)]

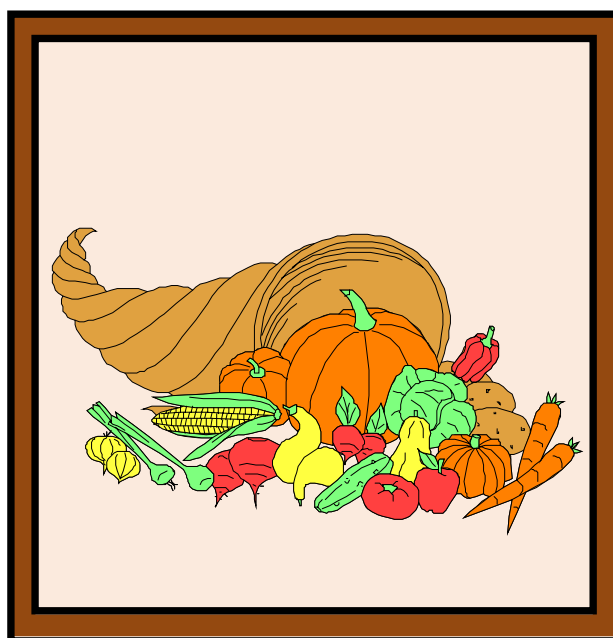
What is the difference between qualitative and quantitative standards?

Qualitative standards include components that can be measured against a norm, such as grades or an academic standard that is consistent with an institution's graduation requirements. [§ 668.16(e)(2)(i) and § 668.34(b)]

Quantitative standards include components that give students a maximum timeframe to complete their educational program. The timeframe must not be more than 150 percent of the program length and be divided into equal evaluation periods. There must also be a schedule defining the minimum amount of work that must be completed. In addition, there must be specific policies that manage academic courses, such as withdraws and remedial courses and how they relate to satisfactory progress. [§ 668.16(e)(2)(ii)]

How often is an institution required to verify a student's SAP?

“At a minimum, an institution must review a student's academic progress at the end of each year.” [§ 668.34(e)]



Calendar of Upcoming Events

November 2003

- 18 MGA Fall School Workshop
Holiday Inn
Mt. Pleasant, Michigan
- 19 MGA Fall School Workshop
Crowne Plaza Hotel
Grand Rapids, Michigan
- 20 MGA Fall School Workshop
St. John's Conference Center
Plymouth, Michigan
- 27-28 MGA Office Closed

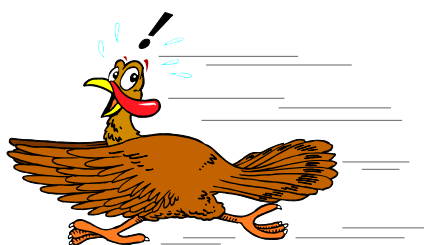
December 2003

- 2 Guaranty Agency Advisory Committee Meeting
University Club
Michigan State University
East Lansing, Michigan
- 24-26 MGA Office Closed
- 31 MGA Office Closed

January 2004

- 1-2 MGA Offices Closed
- 25-28 MSFAA Winter Conference
Marriott Pontiac at Centerpoint
Pontiac, Michigan

If you need further information or wish to submit items for the calendar, please contact Jim Peterson, Editor, at extension 36944, or via e-mail at petersonj@michigan.gov.



Happy Thanksgiving



LOAN NOTES

November 2003

<i>New Default Aversion Task Force.....Page 1</i>	<i>School List Updates Page 3</i>
<i>MGA Procedural ChangePage 3</i>	<i>Q & A..... Page 4</i>
<i>Social Security Number DiscrepanciesPage 3</i>	<i>Calendar of Upcoming Events Page 5</i>
<i>Lender List Updates Page 3</i>	

DEFAULT AVERSION TASK FORCE

Ms. Carol Blevins
Default Management Specialist
Ross Learning, Inc.
1032 Gilbert
Flint, Michigan 48532
810-230-9024
ross1@advdata.net

Ms. Linda Katrinic
Director of Operations
for Student Services
Baker College System
1050 West Bristol Road
Flint, Michigan 48507
810-766-4214
linda.katrinic@baker.edu

Mr. Richard Eddington-Shipman
Director, Office of Financial Aid
Michigan State University
252 Student Services Building
East Lansing, Michigan 48824
517-353-4554
shipmanr@msu.edu

Mr. Richard Boruszewski
Financial Aid Director
Thomas M. Cooley Law School
300 South Capitol, Box 13038
Lansing, Michigan 48901
517-371-5140, ext. 2216
boruszer@cooley.edu

Ms. Bernice Lindke
Assistant Vice President
Division of Enrollment Services
Eastern Michigan University
403 Pierce Hall
Ypsilanti, Michigan 48197
734-487-1048
bernice.lindke@emich.edu

Ms. Renee Suryan
Assistant Director of Loans
Eastern Michigan University
403 Pierce Hall
Ypsilanti, Michigan 48197
734-487-1232
Renee.Bitner@emich.edu

Ms. Susan Crkovski
Executive Director of Financial Aid
Davenport University
27650 Dequindre Road
Warren, Michigan 48092-5209
586-558-8700, ext. 259
susan.crkovski@davenport.edu

Ms. Terri Mieler
Director of Financial Aid
Northwood University
4000 Whiting Drive
Midland, Michigan 48640-2398
989-837-4301
mieler@northwood.edu

Ms. Sandy Tallman
Financial Aid Director
Ross Learning, Inc.
19900 West Nine Mile Road, Suite 200
Southfield, Michigan 48075
248-263-4912
Stallman@rosslearning.com

Ms. Susan Doyle
Senior Student Loan Advisor
Baker College System
1050 West Bristol Road
Flint, Michigan 48507
810-766-4344, ext. 4213
susan.doyle@baker.edu

Ms. Stephanie Petsch
Senior Advisor
Eastern Michigan University
403 Pierce Hall
Ypsilanti, Michigan 48197
734-487-1048
stephanie.petsch@emich.edu

Ms. Lori Trapp
Assistant Director of Financial Aid
Washtenaw Community College
4800 East Huron River Drive, Box D1
Ann Arbor, Michigan 48106
734-973-3529
lori@wccnet.org

Mr. Lorne Gauthier
School Director
Northwestern Technological Institute
24567 Northwestern Highway,
Suite 200
Southfield, Michigan 48075
248-358-4006
lgauthier@northwesterntech.org

Ms. Wilma Porter
Director of Financial Assistance
and Scholarships
Oakland Community College
2480 Opdyke Road
Bloomfield Hills, Michigan 48304
248-341-2182
wbporter@oaklandcc.edu

Ms. Heide Wisby
Director of Financial Aid Programs
Davenport University
27650 Dequindre Road
Warren, Michigan 48092
586-558-8700, ext. 281
heide.wisby@davenport.edu

Mr. Ellis P. Salim
Vice President for Student Services
Baker College System
1050 West Bristol Road
Flint, Michigan 48507
810-766-4276
ellis.salim@baker.edu